

SLEEMAN BREWERIES LTD.
ANNUAL REPORT

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expanding *our* horizons

1999

AR69

SLEEMAN

FINANCIAL HIGHLIGHTS

(in thousands of dollars except volumes and per share amounts)

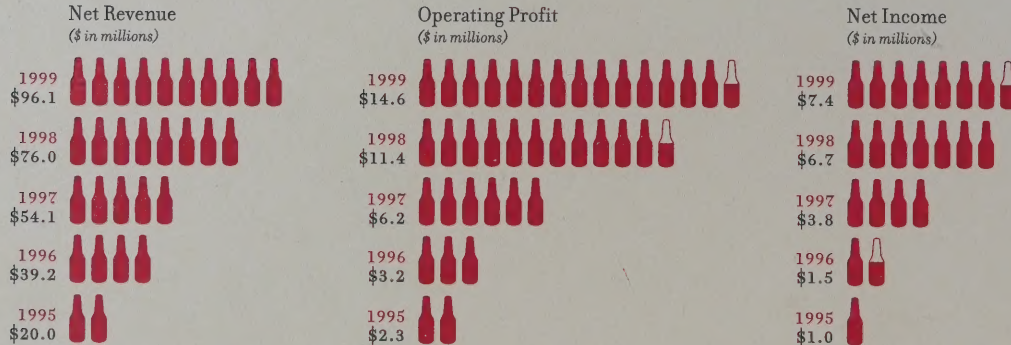
	1999	1998	% CHANGE
Total Volume (HL)*	539,000	420,000	28
Net revenue	96,110	76,023	26
Operating profit (EBIT)	14,627	11,449	28
Net income	7,397	6,755	10
Earnings per share (fully diluted)	0.46	0.43	7
Shareholders equity	59,978	51,414	17

* Includes total Sleeman Breweries volume and Contract Brewing

Note: Sleeman's financial performance is often stated in terms of sales volume, expressed in hectolitres of beer. (HL)

A hectolitre is approximately 12.2 cases of 24 bottles.

FIVE YEAR SUMMARY



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A LETTER TO OUR
shareholders



We continue to aggressively *expand our horizons* at Sleeman because it is what drives our business growth. In this report you will read about a number of exciting initiatives we launched in 1999, and how we plan to accelerate them during 2000. »

SLEEMAN BREWERIES LTD.

at-a-glance



Sleeman Breweries Limited is Canada's leading brewer of craft beer and, with its recent acquisition of Stroh Canada, has assumed a significant presence in the value price beer segment. The Company operates four craft breweries in Canada; Vernon, British Columbia; Calgary, Alberta, Guelph, Ontario and Boucherville, Quebec and distributes its products in both the take-home and on-premise markets. Sleeman has established a presence in every province by coupling its strong regional brands with its popular Sleeman and Stroh national brand portfolios.



BREWING FACILITIES

- A** Okanagan Spring Brewery, Vernon, British Columbia
- B** Sleeman Alberta Brewery, Calgary, Alberta
- C** Sleeman Brewing & Malting Co. Ltd, Guelph, Ontario
- D** La Brasserie Seigneuriale, Boucherville, Quebec

DISTRIBUTION

- 1** Sleeman Brands
- 2** Upper Canada
- 3** Okanagan Spring
- 4** Shaftebury
- 5** Seigneuriale
- 6** Stroh Brands

From four craft breweries, *Sleeman* produces its portfolio of six brand families. Okanagan Spring, Shaftebury, Upper Canada and Seigneuriale brands are sold only in regional markets, while the Sleeman and Stroh brands are distributed nationally. This combination of brands allows Sleeman to satisfy local consumer tastes and to build a powerful national distribution system while realizing significant operational synergies.



Sleeman Brewing & Malting Co. Ltd. is our flagship business. Headquartered in Guelph, Ontario, the Company produces the core Sleeman premium brands: Cream Ale, Silver Creek Lager, Honey Brown Lager, Original Dark, Steam and Premium Light. An expansion of our Guelph fermentation cellar, completed in early 2000, has raised the facility's capacity to 600,000 hectolitres.



Okanagan Spring Brewery joined with Sleeman Brewing & Malting Co. Ltd. in 1996, and immediately provided Sleeman with a leadership position in the BC craft beer market. At our Vernon, British Columbia craft brewery, Okanagan produces a number of premium brands brewed under the German purity act including Extra Special Pale Ale, Premium Lager, Honey Blonde Ale, Classic Nut Brown Ale and Old English Porter. The Okanagan brands, when combined with the Sleeman brands, afford Sleeman a leadership position in BC's competitive craft beer category.



UPPER CANADA

Upper Canada Brewing Company was combined with Sleeman in 1998. Its family of super premium brands including Upper Canada Lager, Dark Ale and the recently introduced Maple Brown Ale, form the perfect complement to Sleeman brands in the Ontario premium beer market.

Seigneuriale

La Brasserie Seigneuriale was acquired in July 1998 to provide Sleeman with its first physical facility within the key Quebec market. In addition to enhancing Sleeman's product offering with Seigneuriale's unique Belgian-style beer brands, the acquisition gives Sleeman a number of strategic advantages including licensing and distribution agreements.



Shaftebury Brewing Company is the most recent addition to the Sleeman family of premium brands. The acquisition of Vancouver-based Shaftebury and its Calgary brewing facility was completed in early 1999. Shaftebury provides Sleeman with greater access to the young adult urban beer drinker in British Columbia and an additional entry into the promising Alberta market. British Columbia and Alberta are Canada's third and fourth largest beer markets respectively.

STROH'S



The *Stroh Canada* family was added late in 1999 and marks Sleeman's entry into the value-priced category. Old Milwaukee, Canada's most popular imported beer, is joined by the Colt 45, Rainier and several other smaller Stroh brands. This new portfolio will bring a number of important benefits to Sleeman when fully integrated. These benefits include enhanced national distribution, improved purchasing power and economies of scale.

The most sustainable way to create value is to build and reward the best team in the industry. In 1999, Sleeman dramatically developed the skills of our management group and increased its size to facilitate the Company's internal growth and recent acquisitions. As part of this effort I am also pleased to report that Sleeman successfully negotiated new long-term labour agreements with hourly employees at both our craft breweries in Eastern and Western Canada.

We are committed to further consolidating Sleeman's presence in the two important strategic market segments that flank the regular beer category. In our core premium beer segment, we achieved solid volume growth and moved decisively to take advantage of consolidation opportunities last year. Early in the first quarter, Sleeman completed the acquisition of the Shaftebury Brewing Company in BC. With this move, the Company gained a Calgary-based craft brewing facility and broadened our access to a larger cross-section of the premium beer market in Western Canada. Late in the third quarter, Sleeman entered the value-priced market with the acquisition of Stroh Canada. With one move, we added considerable muscle to our national distribution capabilities and doubled our sales.

Sleeman's team is committed to further consolidating its *leadership position* in the two most important segments outside of the regular beer category.



From left to right:

John Driggers
Managing Director,
Stroh Canada

Doug Berchtold
President & Chief
Operating Officer

Rick Knudson
Managing Director,
Western Canada

John Sleeman
Chairman &
Chief Executive Officer

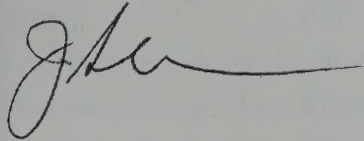
Peter Amirault
Managing Director,
Eastern Canada

These premium and value-priced products will propel Sleeman's volume growth, while our larger size will drive further efficiency-related profit gains. In 1999 we searched for ways to reduce operating costs and overheads, and the effort yielded a number of significant benefits. This effort will accelerate in 2000 as we identify more productive ways to produce, sell and distribute Sleeman products.

From our first day of business, the company has endeavoured to create an environment where quality is paramount. When we acquired regional craft breweries, we acted to maintain or improve the quality of our new products. Sleeman intends to continue this tradition of excellence by aggressively safeguarding our industry-leading product quality.

In 2000 we will identify more *productive* ways to make,
sell and distribute Sleeman products.

On behalf of the board of directors, I want to thank our new and existing
customers, employees and shareholders for their commitment and
goodwill. Looking forward to another prosperous year of growth and
value built on the foundations of a successful 1999, I remain,
Yours sincerely,

A handwritten signature in black ink, appearing to be 'J. Sleeman', with a long horizontal flourish extending to the right.

John Sleeman
Chairman & Chief Executive Officer

THE
broadening
of our
COMPANY'S PRESENCE in
canada

Our *growth* was created by adding new products,
brands and companies.

28%
volum
growt

In 1999 we had many operational highlights, but the most important was Sleeman's growth. We had record financial and operational performance, but just as significant, we evolved as an organization. During each quarter in the year, we set new highs for sales, margins and volume. We also added a record number of brands to our line-up through new product introductions and acquisitions.

By the end of the year, we had sales of \$96.1 million, an increase of 26 percent from 1998. We earned \$7.4 million, or \$0.47 per share, up





In 1999 we added Sleeman Steam Beer and Upper Canada in cans to our family of *core brands*.

99

10 percent from last year. Our volume was 539,000 hectolitres, a 28 percent rise.

New products that were introduced to our core brand portfolio included Sleeman Steam Beer, Okanagan Traditional Pilsner and Upper Canada Lager in cans. Steam Beer, launched in May, was an instant success with beer drinkers who wanted a great tasting beer brewed with a unique century-old technique. Traditional Pilsner balanced our darker full-bodied craft ale portfolio with a lighter European-style pilsner that's crisp and refreshing.



Upper Canada cans proved to be very popular at recreational locales in Ontario. Our initial production run sold out soon after the launch.

The new portfolios that came into the fold included the premium Shaftebury brands, brewed in British Columbia and Alberta, as well as the Stroh Canada value-price family, which includes the Old Milwaukee, Rainier and Colt 45 brands, among others.

We also had good volume growth in our core premium brands, led by sales advances in Ontario, British Columbia and Alberta. In Quebec, we had a

Shaftebury strengthened our British Columbia base
and gave us a *foothold* in Alberta.

BC



more difficult year as we faced stronger competition, particularly from several leading imported brands. In 2000, we expect that our Sleeman products will benefit from the more extensive sales, production and distribution network that the Company will have as a result of the Stroh acquisition.

Sleeman is well prepared to service the enhanced network because of our increased production capacity. In 1999, we brought the expansion at our Guelph brewhouse fully on-line. We can now brew up to 600,000 hectolitres in Guelph alone. At the Okanagan Spring facility in Vernon, British Columbia,

Through Stroh, we are taking advantage of the *major* Alberta opportunity.



we can produce as much as 200,000 hectolitres. This, coupled with our existing three-year capital programs, is enough brewing capacity to look after our expected domestic production for the next several years.

During the next two years we will phase most of the Stroh brands into production in Guelph and Vernon, a move that we expect to substantially increase margins for that brand family. If both Sleeman and Stroh demand grows further than current estimates, requiring us to have more capacity, we have the ability to further expand Guelph.





№.10

sleeman breweries ltd



NO.11

sleeman breweries ltd

At the same time that we are growing our business we want to develop and expand the knowledge and skills of our people. Sleeman is dedicated to its role as an organization that takes employee development and corporate citizenship seriously and encourages the personal growth of its team members. All our employees support the industry's responsible-use philosophy and are pleased that our low alcohol product, the Upper Canada Point 9 brand, is well received by our customers. Our people are also committed to fostering a culture and environment that is innovative and entrepreneurial. After all,

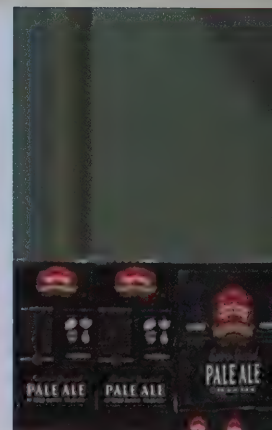
The quality of our *products* is directly tied to
the quality of our *company*.

#1

Sleeman's history is one of entrepreneurship—from the earliest times.

Our support for the entrepreneurial spirit also extends to the community. Last year, we became involved with Duke of Edinburgh's Foundation. Since 1954, this organization has challenged youths around the globe, including Canada, to explore their own inner potentials while facing the adventures that the world offers. The foundation also provides inner-city youth with the opportunity to seek guidance and support in their life choices.

One other reason we're supportive of these endeavours is our belief that

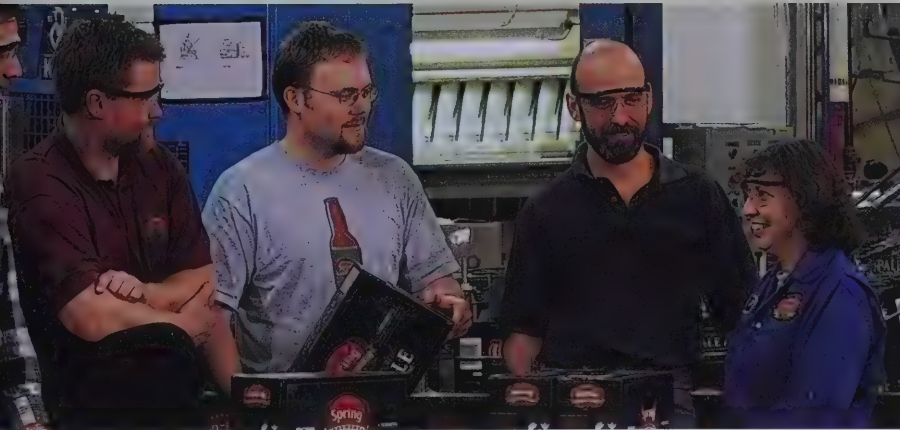


the quality of a company and its people extends to its products. Many of our core Sleeman brands continue to be made using George Sleeman's original recipes that use all natural ingredients. Other Sleeman brands, such as the Steam, Honey Brown and Light as well as the Okanagan Spring, Shaftebury, Upper Canada and Seigneuriale brands are made using their own distinctive recipes. Collectively these premium brands allow us to sustain investment levels that guarantee production excellence and efficiency. Typically, we find that we can produce the acquired premium brands and preserve or enhance



Whenever we've acquired a new brand family, we've preserved or *enhanced* the quality of the beer.

BEST



their quality levels while being more efficient through our purchasing power and scale economies.

Our team believes strongly that we can do the same for Sleeman's new value-price family. Put simply, we believe that our ability to sell these products at lower retail prices depends upon how efficiently we produce the beer and how extensively we distribute it. We will, however, not compromise on the quality of ingredients or the care with which we make Stroh products. Our goal is to have almost 50% of the Stroh Canada production integrated by the end of

Sleeman flanks the regular price category with the two *largest niches*—craft-brewed and value-price beer.

5%
nati
mar.
shan

2000. We estimate that this integration could add as much as \$3 million to our operating profit. That's a figure that will help us maintain Stroh's competitive pricing strategy.

With the addition of Stroh Canada, and our 1999 listing in Prince Edward Island, Sleeman now has coast-to-coast sales and distribution leadership in the two most important categories outside of the regular beer segment. There are still opportunities to grow within Canada in both categories by way of increasing consumer demand and by acquisition. In the value-price category,

Old Milwaukee has vaulted into the position of Canada's number one imported beer. The entire Stroh portfolio grew at a rate of greater than 10% in 1999. This extreme popularity is a foundation on which to grow the brand throughout the country.

We realize, however, that to achieve sustained, long-term growth Sleeman will have to expand its horizons even further. As part of our long-term strategic plan, we are looking at challenges such as further portfolio development as well as penetration into select markets within the United

The Stroh acquisition provides Sleeman with extensive *distribution* in all important Canadian markets.

CDN

States. Our experience has shown us that new brands and products can be added and markets can be explored as long as we stay focused on our core strategy. The integral part of Sleeman's strategy is to operate outside of the overcrowded and highly competitive regular beer category.

Underlying all our activities—present and future—is Sleeman's objective to be among the top financial performers in its industry. We recognize that the voyage beyond our current horizon must be well funded. Across a broad spectrum of measurements, our relative financial results in 1999 were among the









Being among the top financial *performers* in our industry is a major objective.

14 successive
record
quarters

best in the Canadian beer industry. In 2000 and the years that follow we will set our sights on a bigger target: North America. Sleeman's goal is to be among the top tier of financial performers in the North American beer industry.

An important outcome of strong financial performance is the creation of value for our shareholders. Our management team is very committed to improving the Company's share price performance. During 1999, we undertook a number of initiatives to deliver on this commitment including an aggressive investor relations campaign that put Sleeman's exciting story

before major institutional investors and a share buy-back program to reduce the Company's public float. Moreover, we continue to improve upon our impressive operational and financial track record that has seen Sleeman more than triple earnings in three years.

In spite of these measures, our stock price remained relatively level throughout the year. We believe that capital markets are going through an unusual period of activity when many large investors are focused almost exclusively on the information technology sector. When markets normalize,

Sleeman's strong financial performance has provided us with the *flexibility* to fund our continued growth.



we believe that many of these same investors will return to invest in well-run, financially stable companies with dominant market shares in their industries.



The outlook for our company is extremely optimistic. By the end of 1999, we had established a significant presence in the two fastest-growing beer categories in Canada. We continued to strive for excellence in our organization. We had another year of record financial results. We introduced new products and we acquired new partner companies.

Sleeman's new horizon is within sight.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management discussion and analysis provides a review of the activities, results of operations and financial condition of Sleeman Breweries Ltd. for the twelve months ended December 25, 1999 in comparison with the twelve months ended December 26, 1998. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes.

Description Of Business

The Company markets, sells and produces bottled, canned and draft premium beer under the Sleeman, Upper Canada, Seigneuriale, Okanagan Spring and Shaftebury brand names. In addition, by virtue of the 15 year license agreement signed in September 1999, the Company imports, produces, markets and sells "value beer" brands under the Old Milwaukee, Rainier, Colt 45, Stroh, Pabst, Schlitz, Bull Max, Olympia and Big Bear brand names (the "former Stroh brands"). The Company also contract brews for a brewery in the Barbados. The Company's products are primarily sold in the four largest beer markets in Canada: Ontario, Quebec, British Columbia and Alberta, though the Company's products are sold in all Canadian provinces. The Upper Canada, Seigneuriale, Shaftebury and Okanagan Springs brands are regional premium brands with Upper Canada sold exclusively in Ontario, Seigneuriale sold in Quebec and Okanagan Springs and Shaftebury sold in British Columbia, Alberta, Saskatchewan and Manitoba.

Distribution is through the Brewers Retail and the Liquor Control Board in Ontario and the Liquor Distribution Branch in the province of British Columbia. In the provinces of Alberta, Manitoba and Saskatchewan, the Company relies on outside agents to make local distribution arrangements. In Quebec, products are distributed through third party agents. In the Maritime provinces, local liquor boards distribute and retail our products.

Results Of Operations 1999/1998

Sales volume is reported on a hectolitre basis—a hectolitre is approximately 12.2 cases of 24 bottles.

Sales volume increased by 28% from 420,000 hectolitres in fiscal 1998 to 539,000 hectolitres in fiscal 1999.

Net revenues of \$96.1 million for the year ended 1999 were up 26% over net revenues of \$76 million in fiscal 1998. This increase can be attributed to two factors. Firstly, the above noted volume increases largely resulting from the addition of the former Stroh brands in September 1999 and increases in premium sales volumes in Alberta and British Columbia (though these premium volume increases were offset somewhat by marginally reduced volumes in Quebec) helped increase net revenues significantly. Secondly, the company earned higher revenues per hectolitre on the brands owned for the entire year due to favourable pricing and mix trends experienced in the year.

Looking ahead, the Company expects net revenues to increase dramatically in fiscal 2000 as the Company will generate a full year's sales from the former Stroh brands while continuing to increase other premium brand volumes in other Canadian markets like Ontario, British Columbia and Alberta. The Company will start performing all sales functions in the province of Quebec in April 2000.

Costs of goods sold were \$48.1 million in 1999 compared to \$34.5 million in 1998. This increase is a result of the higher volumes sold in the year and the marginally higher prices paid by the company for its key inputs like packaging, labour and agricultural commodities. The effects of these higher prices were mitigated by the efficiencies generated by the integration of the Shaftebury brands in the year and the full year impacts of the Upper Canada, Seigneuriale and West Coast Beverages acquisition-related synergies. For 2000, the Company will focus on integrating the production of significant volumes of the former Stroh brands into its plants in Ontario and British Columbia. Also, the Company will integrate sales and distribution functions for the former Stroh brands with existing brands in Ontario, Alberta, Quebec and British Columbia. The Company expects that these steps will result in significant savings in its unit cost of goods sold in 2000 and future years.

Average gross margin per hectolitre was \$89 compared to \$99 in 1998. This reduction in average margin was entirely due to the addition of the significantly lower margin former Stroh brands to the Company's sales mix in 2000. Excluding the impact of these new brands, the Company's average gross margin per hectolitre increased to \$106 as favourable sales pricing and mix trends offset marginally higher per unit production costs. For 2000, the Company expects total gross margins to increase dramatically while expecting average margins to drop significantly as the impact of a full year's former Stroh brand sales is realized.

Selling, general and administration expenses for fiscal 1999 increased to \$28.4 million from \$26.3 million. This increase resulted largely from selling, marketing and administration expenses incurred to support the Shaftebury and former Stroh brands added in the year.

Total Sales Volume
(thousands of hectolitres)



EBITDA rose to \$19.5 million in 1999 from \$15.1 million in 1998 with average EBITDA per hectolitre remaining at \$36 per hectolitre. The Company expects total EBITDA to rise sharply in 2000 due to organic growth plus the effects of the addition of the former Stroh brands to its operations for a full year.

Depreciation and amortization increased to \$4.9 million for the year ended December 25, 1999 from \$3.7 million for the year ended December 26, 1998. The increase results from depreciation of the significant capital property additions made by the Company in 1999 and the amortization for the first year of the Shaftebury brand goodwill and the former Stroh brand license in the year.

Interest expense amounted to \$3.8 million compared to \$2.1 million in the previous year. Interest incurred on loans obtained to finance the Shaftebury and former Stroh brand license acquisitions and 1999 capital property additions caused this increase.

Income tax expense increased to \$3.5 million in fiscal 1999 from \$2.6 million in fiscal 1998. The increase results from the Company's increased profitability in the year combined with a higher effective rate on income earned. The higher effective tax rate was caused by the use of the last of the Company's unrecognized income tax losses in the year, leaving income earned after that time subject to the Company's expected long-term effective tax rate of approximately 37%.

The Company will adopt the new standard on accounting for income taxes in 2000. The Company does not expect any material impact on either its 2000 earnings or its financial position from this change in accounting standards.

Net earnings available to shareholders was \$7.4 million or \$0.47 per share in 1999, compared to \$6.8 million or \$0.44 per share in 1998. On a per hectolitre basis, the Company earned \$14 per hectolitre in 1999 compared to \$16 per hectolitre in 1998. Higher interest costs per hectolitre in 1999 versus 1998 was the primary reason for this decrease.

Financial Position

The Company's working capital position (current assets less current liabilities) improved in the year to \$2.7 million from a deficit of \$1.2 million in 1998 due to increases in the Company's current assets exceeding increases in its current liabilities.

Current assets increased by \$10.6 million as the Company had higher accounts receivable, inventory and prepaid asset balances on account of initial investments in these areas for the former Stroh brands.

Property, plant and equipment increased by \$6.7 million (net of depreciation). The Company spent heavily in the year in increasing capacity and efficiency at its Vernon, British Columbia and Guelph, Ontario plants. The Company will spend approximately \$9.4 million in 2000 to further increase capacity to allow production of significant portions of the former Stroh brand volumes at the Company's plants rather than importing this volume.

Intangible assets increased by \$45.7 million (net of amortization) due to the investments in the Shaftebury brand and the former Stroh brands license.

Liquidity And Capital Resources

Long-term liabilities (including the current portion) increased by \$47 million in the year. \$5 million of this increase resulted from the vendor take-back note issued on the Shaftebury transaction while the remaining increase resulted from increases in bank term loans used to fund the former Stroh brands' prepaid license investment and capital asset purchases. The Company expects its long-term liabilities to increase by approximately \$1.3 million in 2000 as principal repayments of \$6.7 million will be offset by \$8 million of new bank borrowings to finance 2000 capital asset expenditures.

Share capital increased by \$1.2 million to \$39.5 million. The increase resulted from the value ascribed to the shares issued as part of the former Stroh brands license transaction plus stock options exercised by employees in the year.

The Company's shareholders' equity increased by \$8.6 million to \$60 million on account of the earnings for the year and the increase in share capital described above.

Operating cash flows for 1999 grew to \$15 million compared to \$11.2 million in 1998. This increase resulted from higher net income in 1999 augmented by increased non-cash charges for depreciation and amortization and deferred income taxes.

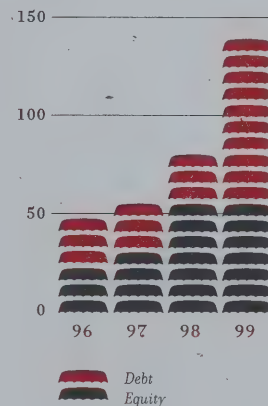
Investing activities consumed \$53.8 million in 1999 which is up from the \$20.9 million consumed in 1998. The Shaftebury and former Stroh brand license acquisitions and expenditures for 1999 capital assets drove this increase in investment spending.

Financing activities generated \$47 million in 1999 compared to \$14 million in 1998 for an increase in \$33 million. This increase resulted from a \$3 million increased draw on the Company's operating line of credit in the year coupled with a \$30 million net increase in the Company's draw on long-term debt facilities.

The Company ended the year with an operating line of credit balance of \$8.4 million. The authorized operating credit line limit is currently \$18 million. The Company expects to meet future financing needs over and above the \$8 million it plans to borrow to finance the \$9.4 million of capital expenditures for 2000 through operating cash flow and seasonal bank borrowings if required.

Sleeman has made a normal course issuer bid through the facilities of The Toronto Stock Exchange (the "TSE") to purchase up to 792,621 of its outstanding common shares over the 12 month period from December 10, 1999 to December 9, 2000. As at the year ended December 25, 1999, Sleeman had repurchased 7,600 of its outstanding common shares pursuant to the bid. A copy of the Notice of Intention to Make a Normal Course Issuer Bid which was filed by Sleeman with the TSE on December 8, 1999 in connection with the bid may be obtained by a shareholder, without charge, by contacting Sleeman.

Debt vs Equity
(thousands of dollars)



Risks And Uncertainties

The Company considers its main competitors to be other participants in the beer markets in Canada, which includes imported beer and specialty and value beers brewed by both small regional brewers and the national brewers.

The markets for beer in all Canadian provinces are becoming increasingly competitive. Existing regional breweries and craft brewers are increasing their production capacities and marketing programs. National brewers have previously aggressively priced their products in selected markets and continue to aggressively promote their own specialty and value brands. The Company also anticipates increasing competition as new brewers enter markets in which the Company currently operates and as the Company expands beyond its core markets.

Management believes that the Company has the resources to continue to compete and, in fact, grow in each major Canadian beer market. The Company is currently the largest craft brewer in Canada and thus leads this growing segment of the market which represents 6% of total Canadian beer sales of some \$7 billion. The addition of the former Stroh value brands to the Company's portfolio of beer brands in 1999 gives the Company a strong position in the fast growing value beer segment which is estimated to represent 20% of total Canadian beer sales by volume. In essence, management believes that the Company is well positioned to participate in the two growing segments of the Canadian beer market.

The addition of the former Stroh brands presents both opportunities and risks for the Company. Opportunities to generate significant profitability improvements will be realized as the Company moves to integrate these new brands into its production facilities, distribution channels and sales and marketing plans. The risk lies in the execution of these integrations as transitional delays or problems will reduce the profitability of the Company when significant EBITDA is required to service historically high debt levels.

Various permits, licences and approvals necessary for the operation of the Company are required from various agencies, including the LCBO (the Liquor Control Board of Ontario), the British Columbia Liquor Distribution Board, the SAQ (Société des Alcools du Québec) and Canada Customs and Revenue Agency-Excise. Management believes that the Company is currently in compliance with all license and permit terms and conditions and that the Company has the necessary approvals for current operations.

The quarterly operating results of the Company have in the past varied due to the seasonality of beer sales. The Company historically experienced higher sales during summer months depending on weather conditions and holidays. Management expects this trend to continue in the future.

None of the Company, its suppliers or its significant customers experienced any significant negative effects from the change in date on January 1, 2000. Further, the Company does not expect any material impact on its future operations from the date change, though it is not possible to conclude with certainty that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers or other third parties have been fully resolved. The amount expensed in 1999 relating to the Year 2000 Issue was immaterial, and the Company does not expect to spend a material amount on this matter in the future.

Net Book Value per Share (dollars)

1999	3.78	
1998	3.28	
1997	2.43	
1996	2.12	

Financial Instruments

The Company enters into contractual agreements involving financial instruments to hedge underlying exposures in foreign exchange, interest rate and commodity markets.

The Company purchases significant amounts of value beer products from a US supplier for sale into Canada. These purchases are denominated in US dollars. To hedge these US dollar purchases, the Company periodically enters into foreign exchange forward contracts and foreign exchange collar agreements with a large Canadian bank. At December 25, 1999, the Company had outstanding US\$11.1 million of foreign exchange collars with a large Canadian bank. The collar agreements provide for a maximum purchase cost of C\$1.49 in 2000 while setting a minimum purchase cost of between C\$1.4481 and C\$1.4576 for the period from January 2000 to December 2000. No amount of gains or losses with respect to these collar agreements are reflected in the Company's accounts at December 25, 1999. The gains and losses, realized and unrealized, related to these financial instruments were not material at December 25, 1999.

At December 25, 1999, the Company had entered into interest rate swaps with a large Canadian bank on notional principal amounts of \$13.65 million maturing December 1, 2003 and \$13.65 million maturing on December 1, 2004. The first interest rate swap effectively fixes the Company's interest rate for the term of the agreement at 6.89% while the second effectively fixes the Company's interest rate at 7% for the term of that agreement. The gains or losses, realized and unrealized, related to these agreements were not material at December 25, 1999, and no amount of such gains or losses have been recorded in the Company's accounts as at December 25, 1999.

On January 18, 2000, the Company entered into a cash settlement commodity swap for corrugate with a large Canadian bank. The Company entered into this transaction to fix the underlying raw material cost of its carton packaging costs. The contract is effective from February 1, 2000 to January 31, 2002. Each month during the term of the agreement, the Company is obligated USD\$418 per short ton and will receive the market price per short ton based on a notional quantity of 1250 short tons per month (30,000 short tons in total).

Outlook

The upcoming year will represent an important year for the Company as it moves toward increasing its overall profitability. Further, significant resources will be required to increase the Company's volumes to almost 1 million hectolitres in 2000.

Organic volume growth will be expected in Ontario, Alberta and British Columbia while significant efforts will be made to stabilize and then increase Quebec premium volumes. Meanwhile, successful integration of the former Stroh brands into Sleeman production, distribution, marketing and sales operations throughout Canada will lead to higher volumes and significantly improved profitability.

AUDITORS' REPORT

To the Shareholders of Sleeman Breweries Ltd.

We have audited the consolidated balance sheets of Sleeman Breweries Ltd. as at December 25, 1999 and December 26, 1998 and the consolidated statements of earnings and retained earnings and cash flows for the fiscal years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 25, 1999 and December 26, 1998 and the results of its operations and cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in Canada.

Deloitte & Touche LLP

Chartered Accountants

February 25, 2000

Guelph, Ontario

CONSOLIDATED BALANCE SHEETS

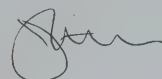
December 25, 1999 and December 26, 1998 (in thousands of dollars)

		1999	1998
Assets			
Current			
Accounts receivable		\$ 17,364	\$ 10,299
Income taxes recoverable		620	—
Inventories	(Note 4)	14,404	11,972
Prepaid expenses		1,744	1,302
		34,132	23,573
Property, plant and equipment	(Note 5)	48,596	41,865
Long-term investment		3,310	3,308
Deferred income taxes		—	566
Intangible assets	(Note 6)	82,033	36,342
		<u>\$ 168,071</u>	<u>\$ 105,654</u>
Liabilities			
Current			
Bank indebtedness	(Note 7)	\$ 8,446	\$ 2,547
Accounts payable and accrued liabilities		16,317	17,147
Current portion of long-term obligations	(Note 8)	6,699	4,745
Income taxes payable		—	336
		31,462	24,775
Long-term obligations	(Note 8)	74,524	29,465
Deferred income taxes		2,106	—
		<u>108,092</u>	<u>54,240</u>
Shareholders' equity			
Share capital	(Note 10)	39,477	38,309
Retained earnings		20,502	13,105
		59,979	51,414
		<u>\$ 168,071</u>	<u>\$ 105,654</u>

Approved by the board:



Pierre Des Marais II, Director



John Withers, Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended December 25, 1999 and December 26, 1998
(in thousands of dollars except per share amounts)

	1999	1998
Net revenue	\$ 96,110	\$ 76,023
Cost of goods sold	48,157	34,575
Gross margin	47,953	41,448
Selling, general and administration	28,407	26,302
Earnings before interest, income taxes, depreciation and amortization	19,546	15,146
Depreciation and amortization	4,919	3,697
Interest expense	3,758	2,112
Earnings before taxes	10,869	9,337
Income taxes (Note 9)	3,472	2,582
Net earnings	7,397	6,755
Retained earnings, beginning of year	13,105	6,350
Retained earnings, end of year	\$ 20,502	\$ 13,105
Earnings per share - basic (Note 12)	\$ 0.47	\$ 0.44
Earnings per share - fully diluted (Note 12)	\$ 0.46	\$ 0.43

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 25, 1999 and December 26, 1998 (in thousands of dollars)

Net inflow (outflow) of cash related to the following activities:

	1999	1998
Operating		
Net earnings	\$ 7,397	\$ 6,755
Items not affecting cash		
Depreciation and amortization	4,919	3,697
Deferred income taxes	2,672	924
Gain on disposal of equipment	(33)	(93)
	14,955	11,283
Changes in non-cash operating working capital items (Note 13)	(8,163)	(4,383)
	6,792	6,900
Investing		
Business acquisitions (Note 3)	(4,136)	(15,969)
Acquisition of former Stroh brands license (Note 3)	(40,309)	—
Additions to property, plant and equipment	(9,266)	(8,539)
Additions to intangible assets	(675)	(48)
Proceeds from property, plant & equipment disposal	568	3,678
	(53,818)	(20,878)
Financing		
Net proceeds from bank operating loans (Note 7)	5,899	2,266
Stock options exercised	203	779
Common shares repurchased	(49)	—
Long-term obligations—proceeds	48,490	20,375
Long-term obligations—principal repayments	(7,517)	(9,442)
	47,026	13,978
Net cash flow and cash balance, end of year	—	—
Supplemental disclosures of cash flows:		
Interest paid	\$ 3,515	\$ 2,112
Income taxes paid, net of cash refunds of \$97 (1998—\$Nil)	\$ 1,700	\$ 1,377

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 25, 1999 and December 26, 1998 (in thousands of dollars except share and per share amounts)

1. Description Of Business

The Company develops, produces, imports, markets and distributes beer for sale to provincial liquor distribution organizations and entities engaged in the food and beverage industries within Canada.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the following policies:

a) Basis of consolidation

The consolidated financial statements include the accounts of Sleeman Breweries Ltd. and all its subsidiary companies. All significant inter-company transactions have been eliminated.

c) Inventories

Raw materials, work-in-process and finished goods are valued at the lower of cost and net realizable value. Returnable containers are recorded at cost net of deposit liability and are amortized over their useful lives.

d) Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation generally is calculated using the diminishing-balance method at the following rates:

Plant	5%
Machinery and equipment	5% to 50%
Office equipment	20%
Leasehold improvements	Straight-line over the lease term, normally one to five years

e) Long-term investment

Long-term investment represents a minority interest investment recorded at cost, less a provision for any permanent decline in value.

f) *Intangible assets*

Intangible assets are recorded at cost and are amortized on a straight-line basis over the following periods:

Trademarks, brands and licenses	10 to 30 years
Deferred charges	2 to 5 years
Goodwill	30 years

Management assesses the carrying values of intangible assets on a quarterly basis for possible impairment. Management has determined that no permanent impairment in the carrying values of intangible assets exists based on the projected future income streams of the related businesses or assets acquired.

g) *Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ materially from those estimates and assumptions.

h) *Income taxes*

The corporation records income taxes on the tax allocation method. Under this method, full provision is made for income taxes related to income currently recognized for accounting purposes but deferred for income tax purposes.

3. *Acquisitions*

On January 14, 1999, the Company completed the acquisition of all of the shares of 3536271 Canada Inc. ("Shaftebury"). In exchange, the Company paid cash of \$4,011 and assumed a vendor take-back loan with a discounted value of \$6,041 (see Note 8 [iii]). The net assets acquired, using the purchase method of accounting, were as follows:

	TOTAL
Cash, vendor take-back loan and acquisition costs	\$ 10,052
Assigned to the fair value of net assets acquired:	
Current assets	1,415
Property, plant and equipment	750
Intangibles	8,049
Current liabilities	(162)
	\$ 10,052

During the year, the Company paid \$125 in costs related to acquisitions completed in 1998.

On September 10, 1999, the Company entered into an agreement with Pabst Breweries for the exclusive right to brew and sell certain former Stroh brands in Canada. In exchange, the Company paid cash of \$38,000 and issued 150,000 shares valued at \$1,013. In addition, the Company paid cash totalling \$2,309 for the fair value of other assets, which primarily included inventory.

4. Inventories

	1999	1998
Finished goods and work-in-progress	\$ 7,915	\$ 4,167
Raw materials	1,358	1,277
Returnable containers, net of deposit liabilities	5,131	6,528
	<u>\$ 14,404</u>	<u>\$ 11,972</u>

5. Property, Plant And Equipment

	1999	1998
<i>Cost</i>		
Land	\$ 1,750	\$ 1,931
Plant	12,735	12,760
Capital projects in process	413	—
Machinery and equipment	43,389	35,397
Office equipment	1,951	1,641
Leasehold improvements	365	329
	<u>60,603</u>	<u>52,058</u>
<i>Accumulated depreciation</i>		
Building	3,005	3,127
Machinery and equipment	7,364	5,875
Office equipment	1,347	1,015
Leasehold improvements	291	176
	<u>12,007</u>	<u>10,193</u>
	<u>\$ 48,596</u>	<u>\$ 41,865</u>

6. Intangible Assets

	1999	1998
Goodwill	\$ 42,431	\$ 35,723
Trademarks, brands and licenses	38,895	165
Deferred charges	707	454
	\$ 82,033	\$ 36,342

7. Bank Indebtedness

At December 25, 1999, the Company had utilized \$8,446 of an authorized operating line of credit of \$18,000 (1998—the Company had utilized \$2,734 of an authorized operating line of credit of \$8,000). The line of credit bears interest at prime and is secured under the same terms as described in Note 8 (i). As at December 25, 1999 the Bank of Nova Scotia's prime rate was 6.5% (December 26, 1998—6.75%).

8. Long-term Obligations

	1999	1998
(i) <i>Bank of Nova Scotia</i>		
Non-revolving term loans; authorized amounts total \$37,255; maturity dates range from May 2001 to September 2004 with interest payable monthly. Interest rates vary from prime plus $\frac{3}{4}\%$ to prime plus $1\frac{1}{8}\%$ on variable rate loans totalling \$9,297 (1998—prime plus $\frac{3}{4}\%$ to prime plus $1\frac{1}{2}\%$ on variable rate loans totalling \$11,024). Interest rates vary from 6.19% to 6.85% on fixed rate loans totalling \$27,958 (1998—6.19% to 6.68% on fixed rate loans totalling \$23,186). Combined monthly principal payments of \$865 (\$1998—\$785) are to be made during the six months beginning April of each year.	\$ 37,255	\$ 34,210
(ii) <i>Bank of Montreal</i> —Revolving term loan, authorized amount of \$47,000 maturing September 30, 2005. Interest is payable monthly at prime plus $\frac{1}{4}\%$. Quarterly principal payments of \$1,679 are due starting December 31, 2000 (see Note 16 "Interest rate risk").	39,000	—
(iii) Shaftebury Vendor Take-Back Loan—The non-interest bearing loan is repayable in quarterly payments of \$438 from March 31, 1999 to December 31, 2002. Interest is calculated using a discount rate of 7.35%.	4,968	—
	81,223	34,210
Less amount due within one fiscal year	6,699	4,745
	\$ 74,524	\$ 29,465

Security provided to the Bank of Nova Scotia and Bank of Montreal on a pro rata basis is comprised of a general assignment of book debts; a security agreement over all inventories; a general security agreement over all present and future personal property; and collateral mortgages on land and buildings in Guelph, Ontario and Vernon, British Columbia.

Interest charges on long-term obligations during the period totalled \$3,557 (1998—\$2,043). The debt facilities are subject to certain financial covenants. The Company is in compliance with all covenants as at December 25, 1999.

Principal payments for the next five fiscal years are required as follows:

2000	\$ 6,699
2001	15,069
2002	19,850
2003	13,568
2004	13,894
2005 and thereafter	12,143
	<u>\$ 81,223</u>

9. Income Taxes

The provision for income taxes reflects an effective tax rate which differs from the statutory tax rate for the following reasons:

	1999	1998
Combined statutory federal and provincial income tax rate	42.4%	42.0%
Provision of income taxes at the statutory rate	\$ 4,609	\$ 3,808
Manufacturing and processing deduction	(781)	(725)
Large Corporations tax	122	270
Permanent differences between accounting income and income for tax purposes	406	350
Tax losses utilized to reduce taxable income	(848)	(1,121)
Other adjustments	(36)	—
	<u>\$ 3,472</u>	<u>\$ 2,582</u>

At December 25, 1999, the Company had approximately \$7,361 (December 26, 1998—\$10,716) in losses carried forward which are available for deduction against taxable income of future years. The benefit of this item has been fully recorded in these financial statements (December 26, 1998—\$1,700 of losses were not recorded in the Company's financial statements).

10. Share Capital

	1999	1998
Common shares	\$ 39,477	\$ 38,309

The authorized share capital of the Company consists of an unlimited number of common shares. At December 25, 1999, there were 15,844,830 (December 26, 1998 - 15,658,809) shares outstanding.

During the year, 43,621 shares were issued in respect of employee stock options for total cash consideration of \$203. In addition, 150,000 common shares, valued at \$1,103, were issued in connection with the former Stroh brands license transaction.

On December 7, 1999, the Company announced its intention to make a Normal Course Issue Bid through the facilities of the Toronto Stock Exchange to purchase up to 792,621 of its issued and outstanding common shares over a twelve month period. All common shares purchased by the Company in connection with the bid will be cancelled. At December 25, 1999, the company had acquired and cancelled under this plan 7,600 shares at an average cost of \$6.42 per share.

11. Stock Option Plan

The Company maintains a discretionary employee stock option plan. Under the terms of the plan, the board of directors determines stock option allocations to employees. Stock options generally have a term of five to ten years and each grant typically vests one-third per year over the following three years.

At December 25, 1999, there were 1,549,327 stock options outstanding. Exercise prices in respect of these stock options ranged from \$4.00 to \$7.80 per share and had expiry dates between October, 2004 and May, 2008.

12. Earnings Per Share

Basic earnings per share of \$0.47 (1998 - \$0.44) has been calculated using the weighted average number of common shares deemed or actually outstanding during the period and consists of 15,733,024 shares for the year ended December 25, 1999 (15,230,860 shares for the year ended December 26, 1998). Fully diluted earnings per share, which reflects the potential dilutive effects of share purchase stock options, for the year ended December 25, 1999, is \$0.46 (1998 - \$0.43).

13. Changes In Non-cash Operating Working Capital Components

	1999	1998
Accounts receivable	\$ (7,066)	\$ 831
Inventories	1,293	(2,599)
Prepaid expenses	(442)	(747)
Accounts payable and accrued liabilities	(992)	(1,722)
Income taxes	(956)	(146)
	\$ (8,163)	\$ (4,383)

14. Lease Commitments

The Company rents premises, trucks, phones and computers under various lease agreements. Minimum payments exclusive of realty taxes and other occupancy charges for the next five fiscal years are as follows:

2000	\$ 1,843
2001	1,278
2002	670
2003	419
2004	263
	<u>\$ 4,473</u>

15. Segmented Information

Sleeman Breweries Ltd. is the largest craft brewery in Canada, producing and marketing several unique brands of beer. The Company operates breweries in Guelph, Ontario, Boucherville, Quebec, Calgary, Alberta and Vernon, British Columbia. The Company's reportable segments represent the aggregation of strategic business units that produce and sell beer in distinct geographic markets. They are managed separately because each business operates in different market environments in terms of regulatory regimes, customer preferences and sales and distribution channels.

The Company has two reportable segments: Eastern Canadian operations and Western Canadian operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company accounts for inter-segment sales and transfers at the transferring segment's cost. Segment performance is evaluated based on earnings before interest, income taxes, depreciation and amortization ("EBITDA").

Net Revenue (thousands of dollars)



48% 4-year
Compound Growth Rate

The following tables set forth information about segment profit or loss and segment assets:

	EASTERN CANADA	WESTERN CANADA	TOTALS
1999			
Revenues from external customers ^(a)	\$ 68,268	\$ 27,842	\$ 96,110
Inter-segment revenues	3,543	217	3,760
EBITDA	15,702	3,844	19,546
Depreciation and amortization	2,793	2,126	4,919
Segment assets ^(b)	103,571	63,880	167,451
Expenditures for capital assets	7,690	1,576	9,266
1998			
Revenues from external customers ^(a)	\$ 58,762	\$ 17,261	\$ 76,023
Inter-segment revenues	2,245	—	2,245
EBITDA	13,513	1,633	15,146
Depreciation and amortization	2,219	1,478	3,697
Segment assets ^(b)	75,392	29,697	105,089
Expenditures for capital assets	7,550	989	8,539

(a) The Eastern Canada segment generated foreign revenues of \$113 (1998—\$738). Gross revenues for customers representing greater than 10% of total gross revenues were as follows:

	1999		1998	
	AMOUNT	PERCENT	AMOUNT	PERCENT
Customer 1	\$ 72,560	45%	\$ 64,591	46%
Customer 2	25,677	16%	23,843	17%
Total gross revenues	\$ 160,178	100%	\$ 140,908	100%

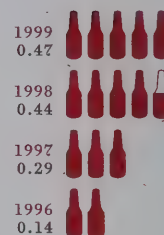
(b) All assets are located in Canada. Income tax assets totalling \$620 (1998—\$566) were not allocated to segments.

16. Financial Instruments

Fair value

At December 25, 1999 and December 26, 1998, the estimated fair market value of accounts receivable, accounts payable and bank indebtedness was equal to the book value given the short term maturities of the items.

Basic EPS



49% 3-year
Compound Growth Rate

The long-term investment represents a minority interest investment. Management has reviewed the carrying value and determined that a permanent impairment in the value of the long-term investment does not exist.

The estimated fair value of long-term debt approximates the book value as substantially all the debt bears interest at market rates as at December 25, 1999.

Credit risk

At December 25, 1999, accounts receivable included approximately \$ 8,630 (1998—\$3,815) due from 4 customers (1998—2 customers), representing 50% (1998—37%) of the trade receivable balance. The Company is not exposed to significant credit risk relating to the remaining accounts receivable given the relative size of individual customer amounts due to the Company. The Company also had \$2,860 (1998—\$Nil) of amounts receivable from a large supplier of imported beer.

Foreign exchange risk

At December 25, 1999 and December 26, 1998, the amounts included in accounts receivable and accounts payable due in foreign currencies were not significant. Substantially all the Company's revenues are denominated in Canadian dollars. The Company periodically enters into foreign exchange contracts and foreign exchange collar agreements to manage risks associated with fluctuations in foreign currency exchange rates for significant expenditures payable in US dollars.

As at December 25, 1999, the Company had outstanding US\$11,100 of foreign exchange collars with a large Canadian bank. The collar agreements provide for a maximum purchase cost of C\$1.49 in 2000 while setting a minimum purchase cost of between C\$1.4481 and C\$1.4576 for the period from January 2000 to December 2000. Consequently, the Company has exposure on US dollar denominated purchases on expenditures which exceed US\$11,100.

No amounts of gains or losses with respect to these collar agreements are reflected in these financial statements. The gains and losses, realized and unrealized, related to these foreign exchange collar agreements were not material at December 25, 1999.

Interest rate risk

Approximately one quarter of long-term debt effectively bears interest at variable rates, after taking into the effect of the interest rate swaps. Consequently, the Company is exposed to interest rate risk associated with these obligations. The Company periodically enters into interest rate swap agreements to manage risks associated with fluctuations in interest rates.

At December 25, 1999, the Company had entered into interest rate swaps with a large Canadian bank on notional principal amounts of \$13,650 maturing December 1, 2003 and \$13,650 maturing on December 1, 2004. The first interest rate swap fixes the Company's interest rate for the term of the agreement effectively at 6.89% while the second interest rate swap fixes the Company's interest rate for the term of the agreement at 7.00%. The notional amounts of the two swap agree-

EBITDA (thousands of dollars)



57% 4-year
Compound Growth Rate

ments do not materially reduce for the term of each agreement. No amount of gains or losses with respect to these interest rate swap agreements are reflected in these financial statements. The gains and losses, realized and unrealized, related to these agreements were not material at December 25, 1999.

Use of other derivative instruments

The Company is the named beneficiary of \$4,000 (1998-\$4,000) from life insurance policies on the lives of certain executives.

17. Uncertainty Due To The Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may rise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

18. Subsequent Events

Acquisition

Effective December 26, 1999, the Company acquired all of the common shares of Distribution Bierex Inc., the distributor, of Sleeman brands in Quebec City Region for total cash consideration of \$392.

Derivative contract

On January 18, 2000, the Company entered into a cash settlement commodity swap for corrugate with a large Canadian bank. The Company entered into this transaction to fix the underlying raw material cost of its carton packaging costs. The contract is effective from February 1, 2000 and expires January 31, 2002. Each month during the term of the contract, the Company is obligated to pay US \$418 per short ton and will receive the market price per short ton based on a notional quantity of 1,250 short tons per month (30,000 short tons in total). The agreement provides for a right of off-set with the party owing the higher amount for any given month required to cash settle the difference.

Earnings Before Tax (thousands of dollars)



59% 4-year
Compound Growth Rate

FIVE YEAR SUMMARY

(in thousands of dollars except ratios and per share amounts)

	1999	1998	1997	1996	1995
Income Statement					
Net revenue	96,110	76,023	54,061	39,217	20,050
EBITDA	19,546	15,146	9,318	5,583	3,209
EBIT	14,627	11,449	6,183	3,248	2,280
Earnings before tax	10,869	9,337	4,741	1,807	1,698
Net income	7,397	6,755	3,830	1,482	1,038
EPS (fully diluted)	0.46	0.43	0.28	0.14	n/a
Balance Sheet					
Total assets	168,071	105,655	71,258	61,968	15,479
Equipment and leaseholds	48,596	41,865	33,365	28,356	7,271
Long-term debt	74,524	29,465	19,156	17,388	2,792
Shareholder's equity	59,979	51,415	32,461	28,190	4,896
Working capital	2670	(1,201)	1,151	(446)	822
Ratios					
Current ratio	1.1	1.0	1.1	1.0	1.1
Debt to equity	1.2	0.6	0.6	0.6	0.6

OFFICERS AND DIRECTORS

Corporate Officers

John Sleeman
Chairman & Chief Executive Officer

Doug Berchtold
President and Chief Operating Officer

Peter Amirault
Managing Director, Eastern Canada

Rick Knudson
Managing Director, Western Canada

John Driggers
Managing Director, Stroh Canada

Board of Directors

John Sleeman
Chairman and CEO, Sleeman Breweries Ltd.

The great-great grandson of the original Sleeman brewmaster, John revived the family business by reincorporating the Sleeman Brewing & Malting Co. Ltd. in 1985.

Allan Brash
Vice-President of Operations, Sleeman Breweries Ltd.

A brewer since 1956, Al joined Sleeman in 1987 after several years with Labatt Brewing where he held a number of posts including Director of International Production.

Ken Hallat
Chairman and CEO, Novas Capital Corporation

Ken is currently Chairman and CEO of a private venture capital company, Novas Capital Corporation. In addition, he is Chairman of the M-Chem Group of Companies which manufactures and markets industrial cleaners and ancillary products for the North American market.

Richard Scott
Partner, Fraser Milner, Barristers and Solicitors

During his 13 years with a leading law firm, Richard has practised extensively in the areas of corporate and commercial law, mergers and acquisitions and securities law.

Bill Sleeman
Director, Sleeman Breweries Ltd.

Formerly the Chairman, CEO and president of Allied Strategies of Vancouver from 1992 to 1995. Prior to that he was a special consultant to the BC government and a Vice-Chairman of the Jim Pattison Group.

John Withers
Private Investor

A private investor in a number of business ventures, John served as the Executive Vice-President and CFO of Allied Strategies prior to its merger with Sleeman Brewing & Malting Co. Ltd.

Pierre Des Marais II
President, Gestion PDM Inc.

A past Chairman, President and CEO of Carling O'Keefe Limited, Pierre has many years of outstanding business experience. He currently sits on the Board of Directors of a number of major corporations.

Ed Prevost
President, Prevost & Associates Inc.

Ed currently provides corporate services to various public and private companies. He is the Canadian associate of Einhorn Associates Inc. (a U.S. based mergers and acquisitions company), and the President of Prevost & Associates Inc. (a strategic planning and family succession company), since 1998. Earlier, Ed was the President and Chief Executive Officer of La Brasserie O'Keefe Limitée and the senior Vice-President of Carling O'Keefe Breweries Ltd.

CORPORATE AND INVESTOR INFORMATION

Corporate Office

Sleeman Breweries Ltd.
551 Clair Road West
Guelph, Ontario
N1L 1E9
Tel: 1-800-BOTTLES
Fax: (519) 822-0430

Independent Auditor

Deloitte & Touche LLP, Guelph

General Counsel

Fraser Milner, Toronto

Stock Trading Symbol

Toronto Stock Exchange—ALE

Investor Relations Contact

Doug Berchtold, President & COO
Sleeman Breweries Ltd.
Tel: (519) 822-1834
Fax: (519) 822-0221

Transfer Agent & Registrar

Montreal Trust
151 Front Street West
8th Floor
Toronto, Ontario
M5J 2N1
Tel: (416) 981-9500

Annual Meeting

The Annual Meeting of Shareholders will be held at:

The Ontario Club
30 Wellington Street West
Commerce Court South
Toronto, Ontario
On Tuesday, May 16, 2000 at 4:00 p.m. (EDT)



Last year, we became involved with *Duke of Edinburgh's Foundation*. Since 1954, this organization has challenged youth around the globe, including Canada, to explore their own inner potentials while facing the adventures that the world offers.

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